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DEVELOPMENT OF EAST-WEST CREDIT RELATIONS DISCUSSED

East Berlin IPW BERICHTE in German Vol 8 No 12, Dec 79 pp 38-46

[Analysis by Paul Freiberg and Juergen Nitz: "Increasing Credit Relations between Socialist and Capitalist States; Export Financing; Requirements for Modern Trade; Removal of Any Form of Discrimination Necessary"]

[Text] The growing use of credits in international economic relations has become an important trend in the world economic system. With the internationalization of economic life and the increasing role of specialization in production and of foreign markets for the marketing of products, international credit relations are becoming more and more extensive.¹

Increasingly the trend is no longer toward producing for sales in "unknown markets." Nowadays, manufacturing times and costs as well as the complexity of modern production procedures require definite arrangements concerning delivery terms, financing, and the assistance of the manufacturer in the setting up and putting into operation of imported production facilities. Above all, international trade in capital goods and major projects in industry, in transport and communications, and in other sectors is no longer thinkable without developed credit relations. Karl Marx had once stated on the nature of credit money: "With the development of trade and of the capitalist mode of production...this natural basis of the credit system is expanded, generalized, and elaborated."²

The direct granting of credits to importers has led to a rapid development of export financing. The facility to grant credits to the purchasers of one's products has become an extraordinarily important measure of the competitiveness of an enterprise on the world market. Given that in 1937 about 1.5 percent of all machinery and equipment in capitalist international trade was exported on the basis of export credits, at the beginning of the 1960's this fraction was about 40 percent, and at the start of the 1970's it was already in excess of 50 percent.³ The instruments for granting export credit have been extended continuously, so that today this percentage in the capitalist world economy is likely to be even considerably higher.

Corresponding to the nature of capitalist relations of production, credit in the capitalist international economic system has a contradictory character: On the one hand it promotes, expands, and facilitates the capitalist reproduction process and the international exchange of goods, and thus potentially it can even have a crisis-delaying effect in some cases, but on the other hand it increases anarchy as well as national and international competition, which in turn adds to the depth and extent of the crises.

At the present stage of the general crisis of capitalism, both the sharpening of the competitive struggle on the domestic and foreign fronts and also the influence of the scientific-technical revolution, with its effects on the international division of labor, have contributed substantially to the development not only of national but also of international credit relations in the capitalist world economy. Under these conditions, in capitalism above all the granting of credit for the international exchange of finished products has become a normal and customary matter, and it has developed into an objective prerequisite for the expansion of the capitalist reproduction process.

In connection with economic cooperation among CEMA countries as well, credit relations have gained steadily in importance. International socialist credit, based on socialist relations of production, is an important instrument which the member countries of CEMA use to solve their national economic problems, to equalize their economic levels of development, as well as to expand and deepen socialist economic integration.

The objective foundation for credit relations among the CEMA countries lies in the development of the processes of integration, on the basis of socialist ownership of property and socialist relations of power. They deepen specialization and cooperation in production, and they promote the efficient utilization of natural resources as well as the establishment of optimal capacities in the processing industries. The processes of concentration of production and the creation of optimal production capacities which result from international specialization and cooperation in production, entail a considerable material and financial expenditure, and therefore for the most part they cannot be handled by one socialist country alone.

Within the framework of the socialist society, international lending embodies a completely new type of credit relations. Such relations are based on the principles of complete equality of rights of the partners, respect for each other's sovereignty, the mutual benefit, as well as mutual assistance and support, in connection with which a significant portion of the credits granted here--including those granted by the multilateral financing institutions of CEMA--are handed out at preferential terms, and at the very least at terms considerably more favorable than on the capitalist world market.

With the founding in 1963 of the International Bank for Economic Cooperation (IBWZ), the first international bank of socialist states, and with the founding of the International Investment Bank (IIB) in 1971, new principles of activity of international banks were introduced at the same time. Thus, Article IV of the agreement on the formation of the IBWZ reads: "The activity of the International Bank for Economic Cooperation is based on the principle of complete equality of rights and of respect for the sovereignty of the member countries of the bank. In dealing with and deciding on questions connected with the activity of the bank, the member countries of the bank enjoy equal rights."⁴

With that, the IBWZ differs in principle from international banks and financial organizations which are controlled by imperialist states. Thus, the member countries of the "World Bank," which is dominated by U. S. imperialism, do not have equal rights. Instead, only in very differing degrees, depending on their share of the capital stock, do they have opportunities to participate in shaping the pattern of lending. For example, corresponding to its share of the capital stock, the United States has about 20 percent of the votes. This is equivalent to a share of votes which about 80 other countries have all together. In contrast, in the IBWZ every member country has only one vote, regardless of its share of the capital stock, and decisions are made in principle only with the approval of all the member countries.

The whole development up to now of the socialist world system shows that international socialist credit represents an important and reliable source for the establishment of major enterprises and projects which are in both the national and international interests of the CEMA countries.

Credit Relations Between Socialist and Capitalist Countries

The foreign exchange, financial, and credit relations of the CEMA countries among one another are the basis for their corresponding relations to the capitalist industrial countries--relations which have taken on an increasing importance. Thus, the foreign trade volume between the two groups of countries has risen from \$13 billion in 1970 to over \$65 billion in 1977--that is, it has increased almost fourfold. In this connection, besides traditional foreign trade, numerous new forms of economic relations have developed at the same time, such as industrial cooperation or offsetting arrangements, above all for the realization of major projects, including cooperation in third-party markets and scientific-technical cooperation.

The development of trade and economic relations between the socialist and capitalist states, especially trade in capital goods and complete industrial plants, can develop successfully only on the basis of long-term credit relations. Thus, in exporting these sorts of facilities, the socialist states are also granting the corresponding long-term credits both to enterprises in capitalist countries and also to developing countries.

In recent years, the financing of the trade as well as of the other forms of East-West economic relations has become an extremely important problem, on whose successful solution largely depends cooperation among countries of differing social order. The deepening of production specialization which is appearing in East-West economic relations as well, and the internationalization of economic life, with the growing role played by foreign markets for the selling of products, are making international credit relations between socialist and capitalist nations objectively necessary.

As experience has taught us, these relations are determined by the status of the political relations between countries of differing social order, but at the same time they are also influenced by the socially antithetical interests which motivate the socialist and capitalist nations to enter into economic relations, to their mutual benefit. The close interaction between advances in the international process of detente and the development of economic cooperation is also visible in the sphere of credit relations.

For a long time, credit relations between socialist and capitalist countries were preeminently conditioned by discriminatory measures by the latter, by which these relations are still strongly influenced even today. This was previously true of the hostile policy of capitalist nations toward the young Soviet state and of their attempt to carry out an economic blockade against it.

Likewise, in the initial years following World War II, the United States and its NATO allies were not wanting in attempts to utilize their credit policy vis-a-vis socialist states as a weapon of the Cold War and of trade discrimination. This policy, which was directed toward breaking off economic relations with the socialist states, considerably harmed the trade of many Western nations. It was not until the 1960's that some Western countries reconsidered their credit policy toward the socialist states. Relevant to this were two considerations which became more and more important with the gain in strength of the socialist countries and of the socialist community of states as a whole. On the one hand, with the increasing economic potential of the socialist countries, business interest also grew on the Western side with respect to increased commercial exchanges which would be of mutual benefit. On the other hand, the international process of detente which was gaining acceptance on the initiative of the socialist states created the necessary conditions so that economic cooperation could develop more fully, new forms of this cooperation could emerge, and also credit relations could further evolve.

The shift to the use of credits in the financing of goods exchanges between socialist and capitalist countries signifies nothing else than the fact that their economic relations are being brought into line with the normally standard practices of international trade. Thus, in

recent years and on the basis of long-term credits, the socialist nations--especially the Soviet Union--have purchased complete factories and industrial plants for the chemical industry, automobile manufacturing, oil refining, the power-producing industry, the textile and foodstuffs industry, and other industrial branches. These purchases have contributed to accelerating economic expansion in the socialist nations. At the same time, they have corresponded to the striving by the capitalist countries, under the sway of the crisis-like situation on the capitalist world market, to find themselves new sales markets for the products of their industries and to find supply sources for their raw-material and fuel procurements. This has induced them to grant credits on normal international terms.

Forms and Methods of lending

The credits granted by capitalist trading partners in their trade with socialist states can be grouped into two categories--that is, into commercial credits and financial credits.

Within the framework of commercial credits, let us mention first the credits granted by firms. Through these, exchanges of goods with capitalist countries can be significantly increased. But such firms' credits also have considerable shortcomings. Despite apparently low interest rates, the true costs involved in firms' credits are relatively high in comparison to banks' lendings, since the firms in question often stipulate higher prices right upon entering into the contract, in order to make up for the difference between the interest rate which they quote for the credit and the higher interest rate which they themselves have to pay for their own bank loans. Moreover, not all capitalist enterprises have sufficient financial facilities to make credits available to the necessary extent and for the required period of time. Also having a negative effect is the fact that these credits are earmarked for specific purposes, and thus the importer can choose only from among those partners which will supply him credit along with the desired product. Therefore the socialist nations are shifting more and more to obtaining commercial banks' lendings, which began to be granted by the West European countries only relatively recently.

At the beginning of the 1960's, industrial and banking circles in Great Britain, France, Italy, and some other countries which are interested in sales in the markets of the socialist nations obtained the consent of their governments--with the aggravation of the economic situation in their own countries--to grant to the socialist countries long-term bank loans on mutually advantageous terms, for a period of 7 to 15 years from the date of concluding the contract. This showed how unrealistic the so-called Berne Union had become--that arrangement which was made in 1953 by the NATO states and some other countries to not grant any credits having a period to maturity of more than 5 years in trade with the socialist states. Included in this Berne agreement were also credit

subsidies, export arrangements, and other governmental financial and provisions for foreign trade. Out of the whole--having been born in the time of the Cold War--it represented a type of definite discrimination vis-à-vis the capitalist states.

Italian, British, and French banks were all well-equipped to proceed to grant long-term credits. These credits were authorized either by virtue of bank agreements which were concluded on the basis of governmental arrangements or protocols, or by virtue of bank agreements without the direct participation of the governments. The first form is practiced by, among others, our countries as Great Britain, Italy, and France, which the second form is employed by, among others, the FRG, Switzerland, and the United States.

Within the scope of the 25-year agreement between the USSR and France from 1963 to 1967, the USSR received credits amounting to 7 billion francs, with a period of maturity of 7 to 8 years and an interest rate of 5.0 to 5.25 percent per year.⁵ The French government undertook to provide support to the tune of the difference between this interest rate and the lower interest rate which was normal at that time on the money market.

There are similar credit agreements between other socialist and capitalist countries. An agreement was signed between the Polish People's Republic and Italy in October 1975 on the granting of a credit of 200 million. Of this, 500 million are earmarked for the purchase of capital goods in Italy.⁶ Early in 1977, a banking consortium under the direction of the London-based bank of Morgan Grenfell and Co, Ltd., to which seven other major capitalist banks belong, made available a credit of 200 million to the Hungarian National Bank, of which 100 million are granted for a period of 7 years and 100 million for a period of 10 years. Among the banks are participants in the listing of the credit. This credit is to help finance investments for the reorganization of the economic structure of Hungary.⁷

Long-term bank credits

In recent years, in the external economic relations of the socialist states more and more significance has been attached to those long-term bank credits of capitalist countries in which the repayment is made through the exporting of goods which are produced by means of the imported equipment. These credits are often a component of barter transactions. This form of credit holds out great prospects for the development of credit relations between the socialist states and the capitalist industrial countries. While it is easier for the borrowing country to establish new productive capacities, to tap its natural resources, and to develop new rapidly new branches of industry, such agreements also not only permit the lending country to increase its sales of goods but can also help, for example, to diminish its fuel

and energy problem, if with this credit material-intensive and energy-intensive productive processes are developed for whose expansion the corresponding preconditions are lacking in many West European countries, or if by means of this the buying of industrial goods is ensured for which there is special interest in these capitalist states and by way of which they can possibly cut down on their own investments.

It is on this basis that the USSR has concluded a number of long-term agreements on substantial natural-gas deliveries to certain West European countries. These credits serve for the purchase of modern technologies and equipment for the Soviet gas industry. A similar agreement has been concluded between Poland and Finland. It pertains to the exporting of Polish hard coal for the years 1975 to 1990, with Finland supplying industrial plants and exporting various processes for the development of Poland's cellulose and paper industry. The credit granted by Finland is paid back through Polish hard-coal deliveries.⁸

In a similar manner, a series of barter agreements between the GDR and firms from capitalist countries have likewise been effected or have been agreed on for the near future. Thus, in 1977 a contract was concluded with the Italian firm of Danieli on the reorganization of a steel plant in the GDR on the basis of the barter principle, whose refinancing is being done through deliveries of machinery and metallurgical products from the GDR to Italy.⁹ Significant contracts have been signed recently with France--thus, for example, an import agreement on supplying a factory for manufacturing twin-drive universal shafts for the GDR's automobile industry and--in compensation--an export agreement on the delivery of these shafts to France in the years from 1981 to 1989.¹⁰ The GDR likewise entered into a contract on a compensation basis, which involves the importing of a chemical plant (aromatics complex), with the Japanese firm of Toyo Engineering and the group of concerns Mitsui.¹¹ At the 1979 Leipzig Spring Fair, industrial-plant imports of the GDR and the Austrian Andrik-Maschinenfabrik AG signed an agreement on importing a rolling-mill four-high stand on a compensation basis. At the same time, the metallurgical industry of the GDR arranged for the exporting of metallurgical products to Austria.¹²

The marked development of bank credit in the trade relations between the socialist states and the countries of West Europe is based on the already indicated advantages which this kind of credit has in comparison to firms' credits--that is, the importing foreign-trade enterprise is able to choose the supplier for the desired products exclusively in accordance with what commercial and technical terms are offered. Credit agreements with banks embody average redemption time limits of 10 to 15 years. The opportunities which this gives to pay off loans and interest with the proceeds from the products manufactured with the help of the purchased equipment serve to facilitate credit redemption, in that sales are ensured, and to a certain degree price fluctuations on the international money and goods markets are kept within bounds.

Finance Loans on International Capital Markets

Another form of credit relations extensively practiced nowadays is represented by finance loans. Such credits can be obtained in convertible currencies on the international capital markets. They were taken up for the first time by banking consortiums on the euro-dollar market at the end of the 1960's.

At first glance, finance credits for foreign-trade financing seem to be less advantageous than commercial banks' lendings. Such loans are medium-term as a rule--that is, they are often granted for a period of time of 5 years. The interest rate for loans on the international money market corresponds approximately to the interest rate of banks for 6-month deposits in euro dollars in London, and thus for the most part it is considerably higher than the preferential rates for intergovernmental credits. The funds which were borrowed for the payment of imports can be freely disposed of by the recipient country in foreign currency at its own discretion, and it is not restricted by the limits of one firm or one country. The advantage consists in the fact that in this way qualitatively better products, which are more technologically advanced and are most favorable with respect to price and other conditions, can be chosen.

The employment of credits in "euro currency" for cash payments in connection with imports of goods and for the payment of an advance to the exporter even makes it possible to obtain price discounts, whereby the credit costs are effectively lowered again and the advantage to the borrower is increased. This does not prevent it happening that business conditions in the capital market can sometimes develop in such a way, on account of a high demand, that the borrowing of such funds at increased interest rates nevertheless becomes disadvantageous on the whole.

The USSR obtained major loans on the euro-dollar market in 1972 and 1973, and in 1975 euro-dollar credits were used to a particularly great extent as a source of financing for trade with capitalist countries. Other socialist nations as well are increasingly availing themselves of this form of financing their trade with capitalist countries.

In 1971, for the first time in East-West economic relations the Hungarian National Bank had obtained a long-term loan amounting to 25 million euro dollars, through an international consortium of banks, with a maturity period of 10 years and an interest rate of 8.75 percent.¹³

In 1975, the Polish People's Republic obtained a euro-dollar credit of 240 million for the acquisition of equipment to increase its copper production. This credit was made available by a West European banking consortium under the leadership of the London branch of the Chase Manhattan Bank.¹⁴ In 1975, the Deutsche Bank concluded an agreement

with the international movement of the GDR as a credit-creating
activity and for capital flows.¹⁵

Consequently, the banks are engaged in the process of financing
the growth of trade—that is, the holding of later-maturing receivables
and banks are involved in financing the holder of the receivables. It has
also been going along with the financing of exports of capital goods
and, indirectly, the issue of currency, which in this way practically
becomes a bank matter. In the end, it has arisen from the crisis-like
development of market relations in many areas of the capitalist world
economy.¹⁶

Contributing to the expansion of economic and especially credit relations
are the foreign banking establishments of the socialist states in
capitalist countries. Soviet banks have been operating in West Europe
for a long time already. One of the best known is the Moscow Narodni
Bank, which was founded in London in 1919. The extent and versatility
of its business activities, its wider activities in the financial world,
and its foreign offices, operating successfully have enabled it to ascend into
the ranks of the world's great banks. Soviet banks also have representa-
tions in Paris, Berlin, Rome, Madrid, Luxembourg, Vienna, Tehran,
and elsewhere. Their main direction consists in financing East-West
trade, issuing international bank credits, and mobilizing
capital in the international market.

Other socialist countries are also beginning to use this form of
representation in capitalist countries. Thus, early in 1976 the GDR
established a representative office of the Foreign Trade Bank in Paris.
The Hungarian National Bank maintains branches in Paris, Zurich,
Frankfurt, Madrid, and Beirut.

The interest of these countries is in increasing East-West trade
and in financing, especially in increasing investments in the socialist
states, as well as their trade, to subjects of these countries more
thoroughly and comprehensively. And these subjects direct contacts with the
appropriate banks of the countries of the groups of the socialist countries,
the foreign banks, and the banks of the capitalist countries. An important role
is also played by the banks in the competition war among the
imperialist nations.

It is probably no longer necessary that great importance can be ascribed
to the representation of the banks of socialist countries which
are being opened up in the capital of the capitalist states. Here
let us mention, for example, the National Westminster Bank and
other British banks in Moscow, the Credit Lyonnais and
several German banks in Moscow, the Dresdner Bank AG,
the Finnish Bank of Commerce, the German Bank, and others which
have opened representative agencies in Moscow. In Berlin, the capital
of the GDR, several of the banks of the world are the French banks.

Societe Generale and Societe Generale Alsacienne de Banque, as well as by the Italian bank of Banca Commerciale Italiana. In Budapest, the Austrian bank of Creditanstalt-Bankverein has set up a representative office.

Growing Role of the State

Aside from these general principles of the development of banking and lending, the crediting systems of the individual capitalist countries also have their specific peculiarities. This also applies to the granting of credit to socialist countries, especially the extent of governmental support as well as governmental securities for export credits. Thus, in the wake of the normalization of credit relations, in some capitalist countries the terms of governmental export credit insurance have also changed with regard to credits to socialist countries. The specific governmental institutions which engage in export credit insurance in these countries have begun to grant guarantees for a longer period of time in connection with new types of credit.

The favorable results France and Italy have had in their foreign trade with the CEMA countries undoubtedly rest in part also on their realistic credit-policy attitude toward the socialist countries, in which governmental support of the granting and guaranteeing of credit plays an important role. For example, it is said in a publication of the Hamburg HWWA [World Economy Archives] Institute for Economic Research: "Up to now, France has been relatively successful in employing favorable credit terms as an instrument of competition policy in East-West trade. Through the granting of long-term lending periods and favorable credit interest rates, which are made even lower by government subsidizing, as well as through the use of low-cost blanket policies in the sphere of credit insurance, France has succeeded in becoming a strong trading partner of the CEMA nations...."¹⁷

The growing role being played by the capitalist state is seen also in the fact that credit relations are increasingly becoming the topic of intergovernmental agreements with socialist countries, which have raised the possibility of further normalizing trade between countries of differing social order. Thus, in Article 5 of the Agreement on the Development and Deepening of Long-term Cooperation Between the USSR and the FRG in the Sector of the Economy and Industry, which was signed in May 1978 and was set up for a 25-year period, it was stated among other things that: "In view of the importance which financing--including the granting of medium-term and long-term credits--has for the further development of economic cooperation, the contracting parties, in pursuit of the aims of this agreement, will make efforts relating to the granting of guarantees in order that medium-term and long-term credits may be given on the most favorable terms possible, within the framework of the regulations existing in each of the two states."¹⁸

Issues, Problems, Obstacles

The rising volume of economic relations and the increasing value of sales of goods between socialist and capitalist states are leading to further reciprocal credit relations. As a rule, export credits are greatly increasing whenever the share of capital goods in the goods sales is high--accordingly, when this share is in line with today's requirements of science and technology. This is especially true of the delivery of complete industrial plants, whose establishment requires a relatively long time. The granting of credits for such deals is an important prerequisite for facilitating their materialization, and this lending is becoming more and more a normal component of modern international economic relations. In this respect the level of commercial credits being granted is growing in a natural manner along with the extent of cooperation--as is also the case in trade among the capitalist countries themselves.

This important role of international credit relations, which is increasing in East-West trade as well, is made the occasion for slanders against the socialist states and for discriminating against East-West economic relations on the part of certain reactionary forces opposed to detente. Thus, it is maintained that maladjusted payment balances of the socialist states are inhibiting trade with the capitalist countries and its associated lending--that is, that it is such disequilibria which are placing limits on the development of economic relations between the two social systems. But in saying this the fact is concealed that the discriminatory measures of the imperialist countries above all are shackling trade, being aimed at preventing increased exports by the socialist states. Thus, many capitalist main trading partners of the CEMA countries have practically not taken even a single measure in any way substantial for the liberalization of trade since the signing of the Helsinki Final Act. In some cases, the situation has even worsened to a certain extent compared to the time prior to the all-European conference:

First, despite certain advances in the 1960's and in the early 1970's, a great number of obstacles have been preserved.

Secondly, under the influence of the capitalist conditions of crisis, a number of improvements in the trading regime vis-a-vis the CEMA countries have been done away with once again, or new discriminations have been introduced.

Thirdly, there are increasing attempts to employ old and new restrictive measures as an economic and political weapon of imperialism against the CEMA nations, in order to exert political pressure on them.

Thus, more new discriminations have been added to those employed in the past against the socialist states, such as import restrictions,

excessive duties, EEC agricultural market regulations, and so forth. In 1977, for example, the EEC nations increased the quotas, variously for particular goods and differently depending on the country, for imports from socialist countries by only 5 percent in terms of value and by only 3 percent in terms of volume, whereby not even the inflationary movement of prices was counterbalanced. Moreover, for some products new quotas have been introduced. Added to this are new hindrances in the sphere of measures other than tariff restrictions.

These obstacles erected by capitalist countries, which have even been added to in recent years, are as much as ever an important cause of the imbalance in East-West trade. They have a negative effect on the export structure of the socialist nations above all when for these countries the door has been largely closed to such dynamic sectors as, for example, trade in finished goods and machinery, as far as concerns their exports to the capitalist countries. Thus, exports from the USSR to Italy are subject to a quota of 16 percent.¹⁹ In his visit to Hungary in July 1978, Karl Carstens, at that time FRG Bundestag president and currently Federal president, had to admit that although 93 percent of Hungarian exports to the FRG are no longer subject to a quota, the remaining 7 percent make up exactly half of all Hungarian exports to the FRG.²⁰

The refusal to grant unconditional most-favored nation treatment in mutual economic relations with the socialist countries on the part of the EEC nations, the United States, and other capitalist countries is also one of the discriminatory measures which are hampering exports by socialist states. This is admitted even by non-socialist economists. Thus, Richard Portes writes among other things that it must "be made clear to the large industrial states of the West that East Europe can cope with its hard-currency debt only if it can sell more industrial products in the West. Demands for more protectionism must be rejected, and at least the remaining trade discriminations against East Europe should be eliminated."²¹

The here-mentioned causes of the disequilibrium in the trade balances brought about by imperialist circles in exchanges of goods between socialist states and capitalist industrial countries are also confirmed in a survey made by the United Nations Economic Commission for Europe (ECE), published in March 1979. It is stated in this that "the sustained economic recession in the West and the protectionist trends in several Western countries bear the chief blame for the Eastern trade deficit in the last year."²²

Refuted Bourgeois Slanders

Accordingly, it is in no way a gift when in connection with their international economic relations, states grant each other credits for the establishment of industrial undertakings, because modern trade in

machinery and equipment is no longer thinkable without credits. In this respect, credits cannot simply be labeled as "debts." The socialist states as well make corresponding credits available in the exporting of industrial plants. During his visit to the GDR in April 1978, Austrian Chancellor Bruno Kreisky made it clear that credits are a part of normal business and are of mutual advantage. He said: "There is a notion in the West, above all in the press, that whenever a person gives a credit to someone, he is doing him a good deed. No, it is from this crediting that banks and credit institutions make a living. That is the way things are."²³

In a publication of the West Berlin Institute for Economic Research (DIW), it is written: "Credits will continue to play an important role in the development of East-West trade, because the transfer of technology from West to East will remain a characteristic feature of this trade. It is in accordance with international commercial practices for this transfer--especially when it takes place in the form of medium-sized or large plant and installation deals--to be linked with financing on credit."²⁴ Otto Wolff of Amerongen, president of the FRG Federation of Chambers of German Industry and Commerce, declared in September 1976 that in connection with the development of its relations to the socialist states, the economy of the FRG is not competitive without export credits.²⁵

Even leading capitalist publishing organs confirm that there are no balance-of-payment difficulties for the socialist states. Thus, the Duesseldorf HANDELSBLATT declares on 22/23 November 1978, under the headline "So Far, Nobody Has Had Problems With the Debt Service," that with respect to the socialist states: "According to the ECE, as yet no serious repayment difficulties have come to light." In an article by Gerd Koenig in WEST-OST-JOURNAL, it is said that "it is just the Eastern Bloc countries which as a rule have had a good reputation as debtor nations."²⁶ This was underscored also by one of those Western bank managers who must know about these things, W. Guth, president of the Deutsche Bank, when he stated that "the Eastern Bloc nations continue to be creditworthy."²⁷

It is the great production potential of the socialist states, the vitality of their development and their not less energetic foreign trade, which guarantee the repayment of their loans. Therefore, socialist enterprises have a good reputation in capitalist countries as trading partners. Consequently, there cannot be any question of a "state of indebtedness," since the socialist enterprises always meet their payment obligations. Credits--which really must not be confused with a simple inability to pay--are an indispensable means for further expanding East-West economic relations in the future as well.

Even capitalist circles are coming to this assessment to an increasing extent. Thus, at the annual conference of the BDI [Federation of German Industries] in May 1978, FRG Minister for Economics Otto Graf von Lambsdorff advocated a further expansion of Eastern Bloc trade by the

FRG, and at the same time he criticized a "debate on credit indebtedness" with respect to the socialist states. He doubted, so he said, whether it was good for the creditworthiness of countries to be debated when their payment reliability has been beyond all question.²⁸

Another circumstance which is frequently disregarded is mentioned by the Hungarian economist Janos Fekete, vice president of the Hungarian National Bank: In view of the economic strength of the socialist states and their share in the world's production, the negative balances apportionable to them are only a small fraction of the total deficits in the world economy, which today comprise around \$400 billion,²⁹ and they cannot be labeled as high. One must not forget, so writes Fekete, that above all greatly increasing machinery exports are what are reflected in the borrowings of the socialist countries--that is, what is involved here is above all the financing of export-promoting capacities.³⁰

Thus, in the last analysis what we have here are arguments on the capitalist side which are merely employed for slandering the socialist states.

Very revealing is a realistic assessment by Bruno Kreisky with respect to the increased lending to socialist nations, when he points out that after all the "volume of West-East goods exchanges has risen from \$15 billion in 1970 to around \$57 billion in 1977," and he says that he regards "the apprehensions which have been expressed in this area as being not very carefully considered." The deficit of all CEMA countries amounted to about 4 percent in 1976, and in the case of the Soviet Union it was even as little as 1.8 percent, and thus, Kreisky continues: "That does not seem to me to be at all alarming, especially when one considers their enormous resources, above all those of the Soviet Union, in oil, gas, coal, gold, and other important raw materials, and when one recalls that a large part of these credits is used for the more rapid development of these resources, which on their part have led in turn to the enlargement of commerce with the West."³¹

This view is also confirmed by Willi Hoerkens, member of the board of Hoechst AG (FRG). Among other things, he points out that "hence the indebtedness per capita--if one disregards the differing economic systems--is said to be higher in Western countries such as, for example, Norway or Canada, than in the Eastern Bloc nations....Only 2 1/2 years ago, the banks were supposedly hesitant to approve lending to Eastern Bloc countries, but it is said that this caution is no longer seen at the present time....In the long run, it is said, trade with the Eastern Bloc must be given a positive rating. The deciding factor is the great economic potential of this region."³²

The already quoted Hungarian economist Janos Fekete also points out that in the non-socialist literature, frequently the proportion of exports to the credits drawn on are correlated. In doing this, in the

case of exports of socialist states only those exports disposed of in so-called convertible currencies are arbitrarily taken into account, whereas these countries defray the predominant part of their energy, raw material, and foodstuffs requirements within the framework of clearing settlements.

Besides the balance for trade in goods, the settlements appearing in sectors outside the goods traffic sphere should also be considered, just as should gold sales, which have not been quoted in the foreign trade statistics. The amount on the asset side arising from these items is something which decreases--for the socialist countries as well--the amount of liability of the foreign trade balance. Finally, Fekete pointed out that in the economic evaluation of a country, not only its credit obligations, but also its positive assets, for example vis-a-vis firms in foreign countries, should also be taken into consideration. Thus, the foreign trade surplus of the CEMA countries vis-a-vis the developing countries amounted to about \$6 billion in 1976/1977.³³

It should be noted further that the socialist states employ the credits obtained by them preeminently for investment purposes. Thus, from 1970 to 1976 the CEMA countries bought capital goods amounting to \$40 billion from the capitalist industrial nations--a sum which is in excess of the amount of the so-called indebtedness on the basis of which Western publications are trying to derive a reproach against the socialist states.³⁴ In the opinion of Allen Lenz, head of the East-West trade bureau in the U. S. Department of Commerce, "by no means have the Soviet Union and the countries of East Europe exhausted as yet...their potentialities for borrowing in the West....The level of indebtedness of the Eastern Bloc states is even said to be relatively favorable in comparison to other borrowing nations. The fact that even the bankers are still placing great confidence in the group of the CEMA countries becomes evident from the comparatively low interest rates for credits to these countries."³⁵

Cooperative and barter agreements are a useful means toward the promotion of economic relations, without payment balances being adversely affected in the longer run. The latter kinds of agreements above all guarantee in advance that the repayment of credits is in forms which are earmarked for specific purposes, and a debiting of payment balances is avoided in the long run. The interest of Western economic circles in this form of cooperation was expressed by Otto Wolff of Amerongen. In his opinion, barter deals can "even in some cases open up prospects for the future....They can even be of use for stimulating new opportunities, and both sides can reap benefits from this."³⁶

Even well-known capitalist publishing organs cannot deny the advantages of this form of cooperation. Thus, *HANDELSBLATT* wrote: "The long-term natural gas delivery contracts which have already been concluded by now

guarantee foreign-exchange receipts amounting to 25 billion rubles. Cooperation with Japan with respect to the mining of coal in Yakutia will bring, after payment of the \$300 million, revenues amounting to 3 billion rubles. Of the credits of \$10 billion gotten from Western industrial states in the years 1974/1975 alone, a large portion has gone for offsetting projects. On such a basis, 50 large factories have been outfitted by Western deliveries. The credits are redeemed relatively quickly, according to past Soviet experiences. From the export proceeds of the "Zhiguli" auto factory on the Volga--to which Italy and the FRG had prominently contributed--it has already proved possible to pay back the import foreign-exchange costs. In the case of other large projects now under way, such as the Kursk steelworks and the nickel and copper mining operation in Norilsk, Moscow is anticipating future exports which are likely to have a high foreign-exchange value."³⁷

However, it must not be forgotten that some imperialist circles are still trying to subject credit relations to discriminatory measures and to hinder their development. As much as ever, certain imperialist circles are engaged in persistent efforts to carry out a so-called harmonization of credit relations--to stipulate shortened maturity periods and higher interest rates. The EEC nations in particular are trying to "standardize" the provisions for export credits and export credit insurance. To be sure, the imperialistic competitive war and the differing interests of the individual capitalist countries have prevented the elaboration of a unified standpoint so far. But the attempts being made again and again to place such discriminatory measures on the agenda once more are a factor which adversely affects East-West economic relations.

The persistent capitalist currency crises are likewise having a negative effect on the development of credit relations between socialist and capitalist countries, because they have their existence in a close interaction with the currency situation of the capitalist countries. Stability in currency relations is an important prerequisite for a positive development of foreign trade. A resolving or at least a reducing of the severity of the capitalist currency problems within the framework of a new world economic order would promote world trade as a whole and also give a further impetus to East-West trade.

The Soviet economist N. P. Shmelyov writes in this connection: "But the problems of squaring the balance of trade in East-West commerce are by no means unessential or secondary questions, if one proceeds from broader perspectives. The extensive utilization of the potentialities of the international division of labor places significant demands on the socialist states as well, above all with regard to the volume, the structure, and the quality of their exports to Western markets, as well as the methods of their foreign trade and payments activity."³⁸

Further Development Presupposes Detente

The growing volume of trade and the development of new forms in East-West economic cooperation make it necessary to further improve on the methods used for financing this trade. In this connection, by no means have all the possibilities been exhausted as yet. Until now, East-West cooperation in the area of financial and credit relations has been developing essentially by way of the various forms of export financing. With the expansion of economic relations in the wake of the resumption of the process of detente, there are now requirements for the development of other forms of cooperation in the area of financial and credit relations.

In financial and economic circles of the West, an animated debate is going on about what course future financial and credit relations between socialist and capitalist countries should take. In this connection, two different views emerge in such discussions: On the one hand, the view on better utilizing the existing financial and credit mechanism, on exhausting more fully the sources of financing. Here a broad field of possibilities opens up, and it appears that quite realistic positions are being taken. Thus, for example, new financial methods such as project financing can be used. On the other hand, it is proposed that new forms of financing be developed, with the creation of the corresponding institutions as well. Undoubtedly, yet more thought should be given to this subject.³⁹

To have favorable prospects in the development of the various forms of trade and economic relations between socialist and capitalist nations, it is necessary to have an ensuring system of finance and credit relations as well. The numerous problems in trade relations and in scientific-technical and economic cooperation also call for the normalizing and improving of the organizational forms in the area of credit relations, in connection with which the obstacles still existing must be removed.

At the same time, these problems are closely correlated with the existing political relations. Advances in the area of financial and credit relations--as is the case generally in the development of East-West economic relations as a whole--are closely connected with the deepening of the process of political detente. The international process of detente, which is going forward despite numerous opposing trends, is the prerequisite for further strengthening commercial and economic cooperation, which for its part helps in turn to consolidate inter-governmental relations.

FOOTNOTES

1. On the credit relations between socialist states and capitalist industrial countries, see the following publications: "East-West

- Economic Relations: Problems and Opportunities," Moscow, 1976, Pt. V, p. 126 ff. (in Russian); "A New Stage in the Economic Cooperation of the GDR with Developed Capitalist Countries," (Hofheim), in: *Annals for World Economy and International Relations of the Academy of Sciences of the GDR*, Moscow, 1978, Ch VII, p. 290 ff. (in Russian); A. Nitz, "Probleme der Wirtschaftsbeziehungen zwischen Sozialismus und Kapitalismus" [Problems of Economic Relations Between Socialism and Capitalism], IPW Research Pamphlets, Berlin, 1/1977.
2. K. Marx, "Das Kapital," Third Volume, in: Marx/Engels, "Werke," Vol. 25, Berlin, 1964, p. 413.
 3. See in this connection, inter alia: M. S. Lyubskiy; L. Ch. Zulyayeva, V. M. Shaztitko, "Currency and Credit Relations of the CEMA Countries," Moscow, 1979, p. 114 (in Russian).
 4. Agreement on Multilateral Clearing in Transferable Rubles and the Founding of the International Bank for Economic Cooperation, in: *Legal Gazette of the GDR*, Part I, Berlin, 2/1964, p. 6.
 5. "Money and Credit," Moscow, 7/1975, p. 88 (in Russian).
 6. "Economic Relations Between Socialist and Developed Capitalist Countries," Moscow, 1975, p. 90 (in Russian); see in this connection: "Western Europe in the System of International Relations," Vol. 2, Moscow, 1979, Ch VIII, p. 277 ff. (in Russian). In German: "Westeuropa in der heutigen Welt" [West Europe in Today's World], Berlin, 1979, Ch 19.
 7. *BUDAPESTER HÍRDESKAU*, Budapest, No 9 of 26 February 1979; BIKI, Moscow, 6 March 1979 (in Russian).
 8. *DDR-AUSSENWIRTSCHAFT*, Berlin, No 6 of 12 February 1975.
 9. *DDR-AUSSENWIRTSCHAFT*, No 12 of 23 March 1977, p. 3.
 10. *HORIZONT*, Berlin, 27/1798, p. 3.
 11. *NEUES DEUTSCHLAND*, Berlin, 17 November 1977.
 12. *DDR-AUSSENWIRTSCHAFT*, No 11/3 of 15 March 1979, p. 3.
 13. "East-West Economic Relations," loc. cit., p. 136.
 14. *THE WALL STREET JOURNAL*, New York, 26 June 1975.
 15. *NEUE ZEIT*, Moscow, 24/1976, p. 29.

16. M. S. Lyubskiy, et al., loc. cit., p 125.
17. G. Bala; H. Clement; P. Pissula, "Die Wirtschaftsbeziehungen zwischen der Bundesrepublik Deutschland und der Sowjetunion" [The Economic Relations Between the FRG and the Soviet Union], Hamburg, 1976, pp 164/165.
18. Text of the agreement in: NEUE ZEIT, 20/1978, pp 27/28.
19. V. Medvedevskiy, "USSR-Italy. Results and Prospects of Economic Cooperation," in: AUSSENHANDEL USSR, Moscow, 1/1978, p 31.
20. BUDAPESTER HUNDSCHAU, No 29 of 17 July 1978.
21. P. Portes, "Osteuropas Westschulden--keine Einbahnstrasse" [Eastern Europe's Western Debts--No One-way Street], in: EUROPAISCHE HUNDSCHAU, Vienna, 4/1977, pp 121/122.
22. Quoted from: DIE WELT (Supplement), Bonn, 21 March 1979.
23. Press conference of the Federal Chancellor of the Republic of Austria at the conclusion of his visit to the GDR, in: NEUES DEUTSCHLAND, 3 April 1978, p 2.
24. DIW-WOCHENBERICHT, West Berlin, No 39 of 30 September 1976, p 360.
25. HANDELSBLATT, Querseldorf, 6 September 1976.
26. WEST-OST-JOURNAL, Vienna, 4/1978, p 22.
27. WEST-OST-JOURNAL, 3/1978, p 38.
28. Bulletin, Press and Information Office of the Federal Government, Bonn, No 52 of 24 May 1978.
29. NEUE ZEIT, 9/1979, p 15.
30. BUDAPESTER HUNDSCHAU, No 22 of 29 May 1978, p 8.
31. B. Krulsky, "Thoughts on the Policy of Detente in Europe," in: WEST-OST-JOURNAL, 4/1978, p 10.
32. FRANKFURTER ALLGEMEINE, Frankfurt (Main), 26 September 1979.
33. J. Fekete, "Foreign Credits for the Purpose of Business Promotion," in: BUDAPESTER HUNDSCHAU, No 37 of 11 September 1979, p 9.
34. J. Fekete, "The Eastern Bloc Indebtedness--From a Hungarian Point of View," in: OST-WEST-KONTAKT, Vienna, 10/1978, p 23.

35. FRANKFURTER ALLGEMEINE, 3 October 1979; see in this connection also: N. P. Shmelyov, "Socialism and International Economic Relations," Moscow, 1979, pp 173/174 (in Russian).
36. RHEINISCHER MERKUR, Cologne, 16 June 1978.
37. HANDELSBLATT, 15 September 1976.
38. N. P. Shmelyov, loc. cit., p 173.
39. In this connection: Documents of the international conference on "The Future of East-West Cooperation, 1979 to 1985," Vienna, March 1979 (see also: NEUES DEUTSCHLAND, 8 March 1979, p 6, and 15 March 1979, p 6).

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CSO: 2300

IMPLEMENTATION OF SHCHEKINO METHOD IN SLOVAKIA

AU211035 Bratislava PRAVDA in Slovak 18 Dec 79 p 3 AU

[Letter to the editor by Comrade Ing. Andred Haluska, director of the Regional Breeding Enterprise in Kosice, on the page entitled "We Implement the Conclusions of the 15th CPCZ Congress": "Reaction to Articles From 'The Shchekino Notebook of PRAVDA's Brigade'; Emphasis on Quality of Work in Remuneration"]

[Excerpts] As we already have written in articles by PRAVDA's brigade, as of the end of next year Tulskaaya Oblast will switch to the Shchekino method of long-term [build-up of] material stakes of the working people in the permanent growth of labor productivity in all enterprises of the national economy branches. The east Slovak [animal] breeders were the first in our country to decide in favor of making use of this progressive method of material incentives in the field of agriculture.

The insemination technicians have been assigned areas within a district with a certain number of breeding animals. The technicians are classified according to grades provided by a qualifications guide, depending on their fulfillment of certain conditions. This concerns the basic wages, to which a variable component--the premium--is added as a fixed percentage. At present, despite the fact that the number of breeding animals in the area varies relative to distances in kilometers, the wages remain fixed. They do not express a just remuneration for the work achieved. Sometimes it is under-rated, at other times overrated. For this reason some technicians, particularly the young, become dissatisfied and we get a high fluctuation rate [in employment], which lessens the quality of their work.

We have come to the decision that in order to stabilize the employment of insemination technicians, it is imperative to introduce remuneration for actual individual accomplishments in a form of profit sharing and to remunerate not only for the number of breeding animals inseminated but also for the quality of their work which, in this instance, represents the number of weaned calves per 100 cows and heifers. The high quality of work will be manifested in the fulfillment of the set norm for calf weaning while it will also eliminate shortcomings in the operational-technical records. By this measure, which is an adaptation of the Shchekino method to our conditions, we want to reach--for the time being at least in this activity--a more realistic method of remuneration together with the growth of labor productivity and of the share of wages in the net production norms.

We are convinced that appropriate remuneration will also help save manpower, since people will be interested in taking on a higher number of breeding animals so as to enhance their specialized output, thus increasing their average wages.

We agree with the published reaction to the Shchekino method in other organizations and we recommend that enterprises should not be penalized by the wage directives for choosing to reduce the number of their personnel and enhance labor productivity in net production.

CSO: 2400

CPCZ DAILY PRAISES ADVANTAGES OF SARATOV MOVEMENT

AU101548 Prague RUDE PRAVO in Czech 8 Jan 80 pp 1, 2 AU

[Article by Gustav Capko: "Through the Saratov Movement to a Higher Degree of Efficiency: With the Quality Seal"]

[Summary] The Saratov movement for high quality products, which is so popular in the USSR, is also getting increasing attention in the West Slovak region. That is not surprising as the movement has been helping to reduce the volume of rejects, cut production costs and increase work productivity.

For that reason, on the urging of the West Slovak Regional Party Committee, the Saratov experience began--in February 1976--to be implemented in 12 enterprises of the engineering, metallurgical, chemical, consumer goods and food industry sectors. Today the Saratov movement is already being followed in more than 130 west Slovak plants and enterprises.

In the words of Jaroslav Kinsky, secretary of the CPSL's West Slovak Regional Committee, the implementation of the Saratov movement has made the greatest progress in the Mir furniture factory in Topolcany; the S. M. Kirov Slovak Power Engineering Works in Tlmace have also had good experience with the movement, and the same applies to a number of other plants and enterprises in the West Slovak region.

People in production are impressed by the right to self-control and the trust vested in them, and they feel obliged not to cause disappointment because not everybody is in possession of the right-to-personal-control pass and of the stamp with which they stamp their perfect-quality products. These two things are only given to persons who have been delivering first class products for at least 6 months, and even they they can be taken away from them should a check reveal that they stamped a faulty product with their quality seal. Personal control--that is an ethical norm mastered by the most responsible ones.

The essence of the attitude toward the standard and value of one's own work lies in a responsible approach to the interests of others and society, in correctly understanding one's own place in life and the obligations that arise from it--regardless whether someone else sees it or comes to check. The deeds of persons taking part in the Saratov movement speak for themselves.

Our work cannot be good if we tolerate our own mistakes or shortcomings, or the mistakes or shortcomings of others who participate in common work in the preceding stage. Until recently hardly anyone refused to continue work on a product spoiled by someone else's sloppy work. Thus they are helping to eliminate false considerations and reeducate others. And that, perhaps, is the most valuable contribution of the Saratov movement.

Today we must also demand more personal control from those organizing production who have somehow gotten used to substantiating their own blunders by objective difficulties, by blaming subcontractors or even transportation problems. It would be a good thing if the stamp of personal control become an ethical norm for all personnel at all work places as soon as possible.

CSO: 2400

ZLOBIN METHOD HAS ITS OPPONENTS IN CSSR

AU102010 Bratislava PRAVDA in Slovak 9 Jan 80 p 3 AU

[Article by Jan Dulin: "Victories Are Not Born Without a Fight; Success Has Given Courage to the Advocates of the Zlobin Method in Roznava"]

[Summary] Construction workers are sometimes glad for snow, because it can cover up their sins--particularly in completed building projects.

Nobody can say now, whether your construction workers have done everything they should have done, we goaded Emil Gajdos, head of the construction center for regulating the Drazus Creek in Roznava. But he proudly showed us the report on the exemplary, economical execution of the work on the project.

"The Zlobin method, the brigade's economic accountability--we have heard and read a lot about it. Some say yes, others say no to it. Somehow there is just too much tongue-wagging about this new system of work. We are turning it this way and that, looking at it from every side and searching for the smallest faults in advance, instead of embarking on it.' Even here, at this construction site, the lads in Ladislav Kelecsenyi's socialist labor brigade talked about it and of course it reached the ears of the head of the center. At that time the Kelecseny team was working on the construction of the first stage of the regulation of the Drazus and, because the team belonged among the best collectives--the crops of the center--it was impossible not to heed their voice. And it even came in handy, because A. N. Zlobin's method had been occupying the minds of many people for quite a long time."

"We began preparing the method, at least for a part of the project, about 3 years ago. We 'did it quietly on our own. and it failed,' Gajdos recalled. The plans remained mere plans. An order came from above and the collective left the Drazus site to help in construction of the Kosice airport. The concept of the contract with the collective was put at the very bottom of the files but the intention, or resolve, remained. 'And do you know, it was a good thing we failed. It was only a kind of weak attempt without any comprehensive concept, a mere imitation.'"

The second part of the Drazus project was undertaken after proper preparation, and the result was that the project was commissioned 3 months earlier than planned and the costs amounted to kcs 257,000 less than envisaged. Moreover, the workers received sizeable bonuses.

"True, not everything went smoothly. Even in the course of construction it was necessary to resolve certain problems with the investor. But work was not stopped. The collective itself chose a working method which would not disrupt the basic principles of the Zlobin method.

"The method was taken up and was implemented to the fullest extent." "True, the construction project required somewhat more paper work, more evaluations and control than other projects but in the end it was worthwhile. For everybody. Society has gained something, as has the center and the people," Gajdos added."

"Experience with implementation of the Zlobin method was added to the generally favorable balance of last year's task fulfillment. The experience was so good that the Roznava construction workers want to continue using the method this year, too."

"I myself, as a communist in a leading function, am attracted by this system of work and, in a way, even enthused. I would be most satisfied if the entire center activity could be organized on the basis of economic accountability. But for the time being that is not possible. We must also help out in other projects within the framework of the plant and the enterprise, and I do not yet know how we could cope with work on all the projects which have several suppliers and subcontractors," Gajdos said."

This year the Roznava builders will "start using the Zlobin method in building the connecting route 'south,' valued at kcs 8 million and also the second phase of the sewage collection project, with an estimated value of more than kcs 6 million."

CSO: 2400

BRIEFS

PROTOCOL WITH VIETNAM--A final protocol from the 14th session of the Czechoslovak-Vietnamese subcommission for scientific and technological cooperation was signed on Monday. The protocol, providing for further connection of scientific and technological development with practical needs, was signed by first deputy chairman of the Vietnamese State Committee for Science and Technology Doan Phuong, and Czech Minister Karel Loebl. [Text] [LD100823 Prague CTK in English 1629 GMT 7 Jan 80 LD]

ECONOMIC COOPERATION WITH KAMPUC'VEA--Prague-Czechoslovak Minister of Agriculture and Food Josef Nagr received here on Friday Cambodia's Minister of Agriculture, Fishing and Forestry Men Chnen. The Cambodian minister informed his counterpart of the Revolutionary Council's measures to restore the economy and to provide food for the Cambodian people. Czechoslovak agriculture and possibilities of bilateral cooperation were also discussed. [Text] [LD120844 Prague CTK in English 1918 GMT 11 Jan 80 LD]

AGREEMENT WITH MALTA--Prague--Czech Health Minister Jaroslav Prckopec and visiting Malta's Minister of Health and Environment Vincent Moran signed in Prague Friday an agreement on cooperation between the two countries in the sphere of health care. [Text] [LD120844 Prague CTK in English 1725 GMT 11 Jan 80 LD]

SRV SCIENCE DELEGATION--A meeting of the CSSR-Vietnamese subcommission for scientific-technical cooperation began in Prague on 2 January. The Vietnamese delegation is led by Doan Phuong, first deputy chairman of the Vietnamese State Committee for Science and Technology. [Bratislava PRAVDA in Slovak 3 Jan 80 p 2 AU] Ladislav Supka, minister of technological and investment development, today received Doan Phuong, deputy chairman of the Vietnamese State Commission for Science and Technology, in Prague. Phuong heads the SRV delegation to a meeting of the Czechoslovak-Vietnamese Scientific and Technical Cooperation Commission. [Prague Domestic Service in Czech 1430 GMT 4 Jan 80 LD]

TRADE MINISTER RECEIVES AMBASSADORS--Prague--Czechoslovak Foreign Trade Minister Andrej Barcak received here on Friday the ambassadors of Mongolia, Japan, Ecuador and Yugoslavia to Czechoslovakia. The Czechoslovak minister and Japanese Ambassador Fumuhiko Suzuki discussed the present situation in Czechoslovak-Japanese trade relations and the development of economic relations between the two countries. Andrej Barcak and Yugoslav Ambassador Miodrag Vlahovic discussed trade relations in 1979 and trade and economic cooperation between Czechoslovakia and Yugoslavia in 1980 and the following years. [Text] [LD060446 Prague CTK in English 2000 GMT 4 Jan 80 LD]

CAMBODIAN DELEGATION ARRIVES--A delegation of the People's Republic of Cambodia led by Tang Sarin, minister of domestic and foreign trade, has arrived in Prague. The delegation, which was welcomed by CSSR Foreign Trade Minister A. Bacak at the airport, will discuss mutual trade and economic cooperation. [AU111406 Prague PRACE in Czech 10 Jan 80 p 3 AU]

SLOVAK FARMERS RECEIVED--Miloslav Hruskovic, candidate member of the CPCZ Central Committee Presidium and secretary of the CPSL Central Committee, today received in Bratislava a delegation of farmers of the West Slovak region, led by Stefan Matejcik, secretary of the West Slovak Regional Party Committee, who handed him a report on the fulfillment of this year's targets in the procurement of milk and poultry. Workers of unified agricultural cooperatives and state farms in western Slovakia fulfilled the milk procurement plan on 25 December when they delivered to state stocks almost 700 million liters, and by the end of the year they intend to deliver 11 million liters of milk in addition. They fulfilled the planned tasks of poultry procurement on 12 December and intend to deliver 1,000 tons over the above plan by the end of this year. [Text] [LD271330 Bratislava Domestic Service in Slovak 1130 GMT 27 Dec 79 LD]

BRATISLAVA TELEPHONES--By the end of 1980, Bratislava will have 171,000 telephone subscribers, of which 61,000 will be households. In 1990, Bratislava is expected to have 301,000 telephone subscribers, of which 110,000 will be households. At present, there are 45 post offices in Bratislava. By 1990 there will be 11 more. [AU081423 Bratislava SMENA in Slovak 7 Jan 80 p 1 AU]

CSO: 2400

IMPORTANCE OF AGRICULTURE TO NATIONAL ECONOMY STRESSED

Budapest MAGYAR HIRLAP in Hungarian 9 Jan 80 pp 1, 7

[Excerpts] The annual meeting to assess 1979 achievements in agriculture and to discuss future goals was convened on 8 January at the University of Agricultural Sciences of Godollo. The meeting was attended by the directors of agriculture and the food industry: Top specialists from the ministries, the county councils, producer cooperative federations, trusts and bulk purchasing enterprises. Among officials present were Sandor Borbely, secretary of the MSZMP Central Committee; Ervin Zsuffa, deputy department head of the Central Committee; Dr Pal Romany, minister of agriculture and food; Istvan Szabo, head of the National Council of Producer Cooperatives; Dr Istvan Szlameniczky, president of SZOVOSZ [National Federation of Cooperatives] and Dr Ferenc Dobi, president of MEDOSZ [Trade Union of Agricultural and Forestry Workers].

After an introduction by state secretary Dr Gabor Soos, Pal Romany said among other things: "We know that the performance of agriculture in 1979 failed to measure up to the 1979 plan but is equivalent only to the outstanding results of 1978. In general, these were as follows: 5.1 million tons of wheat (39.5 quintals per hectare); 6.4 million tons of corn (48.4 quintals per hectare). Total grain production in 1978 amounted to over 13 million tons; grain production for 1979 comes slightly over 12 million tons. This is less than planned. Consequently, we were able to export grain only during the first half of the year [1979] and will be able to export again during the second half of this year."

The favorable and unfavorable lessons of the past year are great. The minister was referring to two economic achievements of far-reaching significance: One is the progress in the field of animal husbandry. The fact that the favorable foreign trade balance for agriculture and food is significantly better than in 1978 is due largely to these areas. (The shortfall in grain exports could not be offset.) The other area of success will have far-reaching effects, especially in the future: This is the area of investment and expansion. Machine investments were realized as planned in agriculture; the special allowances granted proved to be justified and fruitful. Two major food industry investments--at Kaba and Kaposvar--have

begun to produce successfully and are laying the basis for repayment of the investment. It would be well if the others at Baja, Martfu, Szekszard could follow their example.

An enterprise type structure has been established in agriculture, and this counts as one of the great successes of our recent agricultural policy. This diversity, which ranges all the way from specialized cooperatives to agro-industrial associations, from small producers to combines, must be preserved and shaped. "This year's economic plan calls for substantially greater growth in agricultural than in industrial production," Romany reminded the audience. "Why is this an unusual feature of 1980? Is there no precedent for this? Yes, there is: In the aftermath of the 1976 drought, agricultural growth of 10 percent was attained. Now, however, a forward step must be taken from an already high level. Intensive production requires intensive attention, precise work. There is no room for grandiosity; there must be more sensitivity to detail. The fact that it appears that we will have to work with less in the way of material reserves while having to operate with moderate but more costly increases in technical-material supplies calls for special measures. Our economic leaders must be won over to the more stringent economic conditions; we must strengthen them in our conviction that the goals are attainable. The switch from an exclusively quantity-oriented viewpoint will not be easy. The increase in production must be achieved through a growth in net agricultural production as well. The ratio of input to output has become a basic issue in large-scale agriculture. Accumulation, the development of sources, depends on this, too."

The minister called for more rapid and widespread adoption of methods and procedures which have been proven effective. He felt it important also to support various methods and branches of production which have been pushed to the background more or less temporarily for various reasons but which have dynamic potential. It is true that agriculture has greatly reduced the relative backwardness of animal husbandry over the past years. However, it is now time to demand that the various branches of animal husbandry reach the same level of development as crop raising on a nation-wide basis. The new prices have tipped the scales in favor of animal husbandry, but income from this source--at the level of the national economy--is threatened by the world market. The level attained to date is very vulnerable, especially in regard to hog raising: This is because 50 percent of pork production is not in the hands of the large producers. It is well-known that many will undertake this work only while it pays and is appreciated. If they receive no straw, transport is unattainable and they are criticized to boot, there will be a diminution of interest. This is why capacities for taking care of this branch must be set up or expanded on the large farms.

In conclusion, Pal Romany said: "The chief requirement of our plan is efficiency and profitability in terms of the national economy among the conditions of which is fulfillment of our international obligations. We are now faced with the no mean task of contributing to the attainment of the production goals of the national economy through our guiding, planning and organizational work."

In the course of the meeting, Dr Bela Szalai, state secretary for foreign trade, reviewed projected export goals for foodstuffs. Among other things, he stated that the plan calls for the export of agricultural products worth 62 billion forints this year. Of this, 19.6 billion will go to ruble-accounting and 43.5 billion to dollar-accounting countries. Since not a single other branch has a plan of such magnitude, exports of foodstuffs are the determining factor in correcting the balance situation. It is important to achieve the maximum during price discussions, to substitute commodities which bring a good price for those whose sale is unprofitable. As an example, the state secretary noted that export of poultry should be moderated while that of wines, canned goods should be increased, because some of these bring good returns.

After Janos Matuz, head of the agricultural and food department of the Szolnok County Council had discussed the high hectarage planned for wheat planting this year, Dr Miklos Villanyi, deputy minister of finance, spoke:

"I wish to discuss the income balance of agriculture, development, auxiliary activities, and support for farms with unfavorable natural endowments. We find that the various measures which will increase costs are over-estimated in many places. There is a general tendency to claim that profits will be reduced albeit modification of the economic regulators provide no grounds for this type of thinking. It is to be feared that the plans will be lax. Overall, the profits of the farms must not decrease; in fact, they should increase at the best farms as a result of the measures. Insofar as the poorly endowed farms are concerned, we have increased state support for them by 500 million forints and reduced their land and income taxes by 200 million forints." Dr Villanyi noted that there are incom-pleted investments valued at 10 billion forints. In regard to personal income, a major change is that it will be up to the farms themselves to decide how much money they wish to spend on wages during the year or what they wish to withhold for profit sharing at the end of the year. However, it would be desirable to increase the sum withheld for the latter.

Gyula Pales, vice president of the Hungarian National Bank, said that the opportunities for expansion of the farms are decreasing as a result of the decrease in their gross income. He called the listeners attention to the fact that the cost of farm inputs has increased while the value of production has remained unchanged.

Sandor Borbely, secretary of the Central Committee also spoke. He said, among other things: "We all know well that while we are adopting the latest techniques, we are still weighed down by the old. It is no accident that the guiding principles of the Central Committee judge our present situation as follows: 'Production and production structure are being up-dated more slowly than necessary and possible; efficiency and quality fail to improve in a satisfactory manner. The shortcomings in domestic work as well as the shortcomings of guidance and implementation reveal themselves through this.' On this basis, the guiding principles go on to designate fundamental prerequisites for progress. 'Uneconomical, consistently

unprofitable production must be brought into harmony with the interests of society by being made more economically sound or else gradually discontinued.' We know that this is essential to survival. We must face up to what must be done in every branch of the economy. However, when we face ourselves and the facts squarely, then we are forced to admit that sometimes 'it seems we must virtually burst out of our skins to satisfy such requirements. Often shortcomings in our viewpoint keep us from making the necessary changes. We are held back by custom, by the responsibility involved in making a decision, or, to put it more precisely, by procrastination in readiness to assume responsibility."

The secretary of the Central Committee pointed out that in realizing our political efforts we must lean more heavily than ever on our natural endowments and material potential. Among these our greatest national treasure is cropland. Thus there is still greater need in the future for the products of the land, for the know-how and action readiness of those who work in agriculture and the food industry. In the course of future work we must not forget that when we revised the regulation of the entire operating system of economic resources with proper strictness, opportunities for further development narrowed in several branches of the economy whereas, on the whole, the opportunities for agriculture have remained virtually unchanged. "The importance of the food industry in the course of food production continues to increase. We can achieve higher production values through food processing; we can broaden commodity selection and increase the certainty of sales. At the same time I emphasize that this is never exclusively a production, technical-economic problem but always primarily a political issue concerning the level at which we satisfy the population's demand for foodstuffs. In this sense we count on the continued support of the food industry workers. Besides this basic task, the importance of foodstuff production in our foreign economic relations becomes increasingly great. According to our plans, 40 percent of our dollar accounting exports will consist of agricultural products and foodstuffs this year. This is undoubtedly a difficult and stepped-up task, but its fulfillment is of decisive significance in improving the national economic balance."

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FOREIGN TRADE PLANNING PROBLEMS IN 1980'S NOTED

Warsaw GOSPODARKA PLANOWA in Polish No 7-8, 1979, pp 385-388

[Article by Urszula Plowiec: "Problems of Foreign Trade Planning in the 1980's"]

[Text] National development of foreign exchange pertains to that economic sphere which may be fundamentally conducive both to a better satisfaction of social needs and to higher social productivity of labor. However, to make that possible, the exchange management system must be thoroughly reviewed so as to introduce solutions corresponding to the needs of our country's intensive socioeconomic development. Coping with the needs always calls for further efforts, and thus, such efforts are also indispensable in this case and moreover, they must be of long duration and also introduce fundamental changes in the system of management of industrial units.

If we take into consideration the actual social and economic situation and review the current system of foreign exchange planning, we reach the conclusion that a more efficient system for the 1980's must advance the following:

- development of export and rationalization of import;
- intensification of our country's balance of payments;
- correlation of exchange planning with rating of its efficiency, and
- trend toward technical, technological and organizational innovations of economic units.

It is obvious that the fulfillment of the stipulations presented here calls for consideration of the problems discussed here below.

1. Although the share of foreign exchange in Poland's national revenue is in the order of 25 percent, the export market for many goods displays the character of export of surplus, while the structure of production is still

marked by the implementation of the policy of comprehensive economic development and does not correspond to the needs of an economy that must develop its export. It does not represent a structure of specialized economy in terms of the aim to raise the profits from foreign exchange.¹ Our economy depends on the import of many raw materials (crude oil, iron ore, grain and fodder, raw materials for the manufacture of industrial fertilizers, cotton, wool, natural rubber, tin, bauxite), investment materials and goods, and due to the current situation of balance of payments in the turnover with the countries with a market economy, the choice of the direction for the development of our economy poses no problems at this particular time. Export must become a sphere of economic activity to be developed most dynamically.

If we accept that thesis then the most pressing and vital issue in the system of foreign trade management will be the planning of a long-range program for a pro-export development of our economy² as well as the enforcement of its implementation in subsequent short-term plans. This must involve a central program, because the resources (foreign exchange, cadres, etc.) for its implementation are limited and the central authority must define at least the criteria for the allocation of the resources to those fields where the development of export specialization is most desirable, and perhaps also implement changes in organizational subordination of certain economic units already in operation, and if need be, appoint new ones. Leaving the elaboration of such a program to economic units, or even to sector ministries, would mean inefficient allocation of resources and fostering of tendencies to develop every sector that professes ambitions to develop, even though it may not be the most profitable one--and as a result, it would mean a diffusion of resources.

Furthermore, an experience has shown, cooperation between economic units, subordinated to different sector ministries, is extremely difficult, and mutual adjustment of the scale of production, so as to confirm the delivery of a component for the manufacturer of the final product, encounters insurmountable obstacles. After all, it is not without significance that the planning and implementation of the pro-export program for economic development begin with reviews of practically the whole structure of production. The program of pro-export development of our economy must go hand in hand with the program of import rationalization. At present the interpretation of that concept is extremely shallow. It has become a habit to treat rationalization of imports as a factor of the trade policy, and to link it with the implementation of the principle that the volume of imports depends on the returns from the exports, after taking into account the service charges for the credits incurred. Therefore, rationalization of imports is most frequently associated with its limitations, which are, moreover, administratively imposed. For the time being, rationalization of imports stems, above all, from the rationalization of the economic development, in other words, investments as well as production--in terms of reduced material consumption and foreign-exchange absorptiveness. Thus, it means that the

policy of restructuring of production must be implemented in order to enlarge the share of the processing sectors in our national revenue. Not only the attained level of our country's socioeconomic development, but also our place in the international division of labor obligates us to launch such a restructuring program.

Several criteria must be considered when planning and implementing the program of pro-export development, first of all, the existing supplies of natural resources, the infrastructure, and expert cadres. In addition, (according to the conclusions drawn from the experience in the 1973-1976 period) priority must be given to the development of production encompassing, as much as possible, the entire line of production in our country. If imports are necessary, then imports from the socialist countries must be given priority and then the production that requires imports from the market economy countries will be developed; it is imperative to assess there the effect of that particular import on the activation of exports and upgrading its efficiency.

Opportunities for sales of goods abroad must serve as a vital criterion for the building and implementation of the pro-export program. The availability of such opportunities must be recognized as an indispensable prerequisite for the development of a given production, although that does not imply that it will be marketed exclusively abroad. Large-scale production of goods, launched with the anticipation of sales particularly to the capitalist countries, also helps supply our domestic customers with goods of better quality. Considerations of the risk of dependence on foreign customers' decisions (degree of political stability, conditions for international economic cooperation, development of state interventionism, probability of domestic unrest, anticipated restrictions in the area of trade, stability of the labor market, etc.) must become important factors in the assessment of the potential for sales of goods abroad.

Another equally important criterion is the efficiency of the given line of production, as well as of specific groups of goods. Production that is unprofitable, in terms of the given parameters of ratings, should not be undertaken even if it may be in demand abroad. However, in case of production of those goods that are profitable and marketable abroad, priority must be given to the development of the sectors and goods with the lowest requirement of imports, or those that promise the speediest repayment of the import costs with subsequent exports.

In such a situation the impact of investments as well as of the development of specific types of production on the balance of payments represents a very important criterion in decision-making.

It is axiomatic that the producers, foreign trade enterprises and the Commercial Counselor offices must be involved in the planning of the program for the pro-export economic development. Central authorities, the Ministry

of Foreign Trade, as well as sector ministries hold a prominent place in that work. The program under discussion must integrate the broadly conceived mechanism of foreign trade in its entirety.

Assuming that the development of specialized exports enriches the supply of goods in the domestic market and improves their quality, public aspirations also may be integrated in that program. In public opinion these days export impoverishes the supply of goods in domestic markets and for that reason, its development is meeting with aversion on the part of both the consumers and producers.

It should be added that the implementation of the program for pro-export development must become an integral factor in the plans for foreign turnover, for example, with regard to the program for the development of integration with the CEMA countries. Assuming that the directive character of foreign trade plans must be further maintained even in the presence of the familiar problems of cooperation among economic units subordinated to different ministers, it will be advisable to give a directive character to supplies for the development of export of final products, to introduce contracts among partners, and to link material incentives to the fulfillment of those contracts.

2. The basic yardstick for the evaluation of the performance of industrial units continues to be the fulfillment of the plan for sales of products, works and services of a particular production.³ Such sales are expressed in market prices, irrespective of the fact whether the goods are designated for domestic or foreign customers. The principle of price-setting in market prices of goods designated for sale to foreign customers seems the least controversial at the present stage of our economic development.

After all, at this stage over 90 percent of our exports are to the account of the producer, and the producer sells exported goods at transaction prices (derived from the realized foreign exchange prices multiplied by the corresponding conversion factor). It is a stage when rapid development of export and an accommodating approach on the part of Polish producers are desirable in order to adapt our production as much as possible to specific needs of those customers. Price-setting for sales of the entire production in market prices is a relic from the era of our country's comprehensive development based on internal resources of accumulation and on the subscription to the doctrine of autonomous character of domestic prices. At present, and particularly in view of an intensified quest for methods of a more rational central management, the persistence in such practices may be considered as one of the vital factors of the disjunction that has survived in the system of our foreign exchange planning.

Market prices which display the character of domestic prices are set primarily on the basis of the producers' costs of production. When determined by special pricing bodies (it is estimated that more or less one half of the

supply-investment turnover is based on prices determined by those bodies), they are in general excessively stable and often fail to change even after substantial changes in economic conditions. On the other hand, when determined by directors of enterprises or associations, they are not always set in accordance with the centrally stipulated regulations. Moreover, if the sales value of goods designated for export is expressed in market places, it tends to raise those prices when the same line of goods is designated for both the domestic and foreign customers.

This leads to a paradoxical situation: the higher the market prices, the more certain the fulfillment of the sales plan, and the less profitable the export, measured by the profit from exports, because it represents the difference between the transaction price and the domestic market price. However, if the economic units lack sufficiently strong motivation to achieve the best possible profits from exports, they tend to raise, as much as possible, the market prices of goods sold to foreign customers.

The situation described above demonstrates, first of all, the advisability--and indeed, the necessity--of introducing price setting of export production in transaction prices which have a parametric character,⁴ even if their constituent factors do not consist entirely of parameters of good quality. The parametric character of prices means that such prices do not depend on the preferences of individual producers, because they are set in contracts by tenders between mutually independent suppliers and consumers. Although they adopt various forms, such contracts by tenders have the same position in exports to both the capitalist and socialist countries. Therefore, transaction prices are externally determined for our domestic producers. Besides, such prices are variable for different areas in exports to the socialist and capitalist countries, but in either case, they reflect the change in conditions of production as well as in the supply and demand in world markets. Therefore, on the whole, although imperfect, transaction prices offer the producers better information about the conditions of production, supply and demand of goods than domestic market prices. Because they fulfill the information function between them they represent more accurate parameters for economic rating of efficiency of production and export. Secondly, it is imperative to separate profits derived from export and to use them as the basis when determining the special fund of incentives for the development of export and raising its profitability. It is easy to sell products on the domestic market (the producer's market), but it is considerably more difficult to export goods to markets in the West (consumers' markets), particularly in view of the conditions of protectionism developing in those countries; for that reason and because of the distinct character of sales markets, export needs promotion. Without it--or in other words, if both the profits from the domestic production and the profits from exports receive equal treatment when it comes to material incentives--it indicates the presence of anti-stimuli in the development of export and a "doom" for export, because export is more laborious than domestic production; nevertheless, the prices do not reflect that fact. Moreover, profits from export

may have a parametric character and provide a rational basis for the determination of the fund of incentives. If the domestic market prices would have a nonparametric character, neither profits from the domestic production nor any other synthetic gauge for the assessment of the operation of economic units can serve as a rational basis for the determination of the fund of material incentives for work forces.

Incentives for the gain of the highest possible profits from export must deliver a strong impact both on the producers and the exporters, because as partners, they both may actively affect the volume of profits. Apart from the intensification of both partners' interests in the development of export and improvement of its efficiency, the introduction of such incentives may generate trends to reduce the level of market prices of goods with an export potential.

Quotation of transaction prices in the assessment of the fulfillment of the sales plan would tend to bring down the level of market prices especially in processing enterprises. There seems to be a lack of factors acting in that direction at present. The proposed change will therefore help improve the efficiency of all operations in economic units.

Finally, the quotation of transaction prices in the determination of the value of added production in economic units with simultaneous application of market prices when assessing sales prices indicates a lack of coherence in the very system of foreign exchange planning in relation to economic units. Its discontinuation, which seems an almost routine step, will relax the link between the indicators of the plan and indicators of the economic-financial system.

3. Export and import plans of individual economic units as well as of our entire national economy are expressed in foreign exchange zlotys. It is generally known that the cost of the acquisition of foreign exchange zlotys is then different for exports to the CEMA countries and to the countries with convertible currencies. The above-mentioned divisions of costs stems from the differences in the level of foreign exchange prices acquired for export to both areas of payment (current works prices in export to the countries with convertible exchange and prices creeping at the average pace over the past 5-year period in exports to the CEMA countries), from the dissimilar structures of goods exported to both areas (approximately 90 percent of our machinery and equipment exports are designated for the CEMA countries, and approximately 90 percent of our farm and consumer exports for the capitalist countries), from the different forms of payments in exchange with each area (free foreign currency exchange in the turnovers with the capitalist countries, and on principle, bilateral clearing in exchange with the CEMA countries) as well as non-transferability of the balances between both groups of countries.

Consequently, on the level of economic units, export and import planning in foreign exchange zlotys thus indicates the existence of already the third pricing unit for foreign turnovers (market prices, transaction prices, foreign market prices). Furthermore, that unit is not comparable for both areas, although formally it bears the same name. It serves therefore no economic purpose to compute for both areas export or import quoted in foreign exchange zlotys. In terms of the economic unit, export quoted in foreign exchange zlotys denotes only the amount of foreign exchange, which that particular unit must deliver to the state, while import denotes the amount of foreign exchange required to pay for the planned purchases. Except for the planning documents, foreign exchange zlotys do not appear in any other areas of operations of enterprises and industrial associations. It is therefore only natural that the export and import plans quoted in that foreign currency do not exert any integrating effect on the operation of economic units, since they represent plans expressed in units of foreign exchange suitable for the needs of the central authority, but not of economic units.

So long as there is the category of foreign exchange zlotys, foreign exchange plans must be drawn up in foreign zlotys, however, on the central level, and not on the level of economic units. On the latter level such plans must be prepared exclusively in transaction prices quoted in negotiable zlotys. For that reason, the economic unit may easily compare transaction prices with domestic market prices as well as with the costs of production, and draw appropriate conclusions, for instance, as concerns the reorganization of production. Such comparisons, if not impossible, are at least extremely difficult at present on the level of the economic unit due to a lack of appropriate information. However, if we want direct manufacturers to make decisions based on the premise of more efficient production, the obstacles existing in the flow of information must be removed.

Again, it seems that this change is also of almost routine character, but it would help economic units respond sensitively to problems of technical and technological progress as well as to problems of efficiency rating.

4. If we accept the assumption that plans represent the basic tool in the system of economic management, and that their implementation is the fundamental yardstick for the assessment of the operation of economic units, then willy-nilly the question emerges: whether the hitherto concept of principles for the assessment of the operation of economic units and sector ministries will be sufficient in the oncoming stage of accelerated transition to intensive methods of management.

I admit that the economic interpretation of intensive methods of management means an accelerated growth of social productivity of labor in order to expand the horizon of planning decisions for the central authority and economic units (the strategy of our country's socioeconomic development, the creeping five- and two-year plans), and to assign a more important role to efficiency rating in current and short-term decisions of economic units, ministries and

central authorities. At the existing level of our country's socioeconomic development, social productivity of labor in current and short-term operations may be raised, provided that central authorities make only decisions essential for the protection of economy-wide interests; economic units would then have a considerable leeway for their freedom of choice; decisions would be made on all levels with reference to the results of economic ratings, and all decision-makers would be evaluated not only for the fulfillment of their planned tasks but also for the costs of their fulfillment.

In comparison with the heretofore practice, the correlation of current and short-term plans of exchange with the ratings of its efficiency involves considerably more complicated and expanded planning processes, and consequently, a change of the current planning method in the operations of central authorities, sector ministries and economic units. In short-term operations a growth of social productivity of labor is achieved by a selection of the type of goods and geographic structure of exchange with the least amount of export, so as to achieve the highest possible profits, or, for instance--with certain additional assumptions--the lowest possible foreign exchange costs of export on the change in the balance of payments may become an essential factor in the assessment of decisions in the 1980's).

Thus, the decision-maker must be thoroughly familiar with the specific structure of goods for export and also in relation to every item, he must know the transaction price, the domestic market price and the costs of production of the goods, the correlation of those two prices, or in other words, the financial results indicator, as well as, for example, the costs of production of the given product and their share in the transaction price. The increment of export over the past period in particular must be analyzed in depth as regards its effect on the change in the efficiency of the management of economic units. By the same token, in order to supply the authorities with better information on the changes in the volumes of export and import, the plan must be expressed in current and constant transaction valuations.

It suffices to consider the scope of information indispensable for the construction of a project for the most advantageous plan in order to realize that such a plan, combined with the rating of exchange efficiency, may be built by economic units and not by intermediate levels. Only with primitive planning methods the intermediate levels may become the authors of the plans as well as their subjects. With complex planning methods the economic units become the authors and the subjects of the plan, which provides the indispensable prerequisites for more efficient export.

Consequently, the complexity of the planning processes leads to a change in the functions of sector ministries and central functional bodies. The former must be converted, in the area of short-term activities, into an organ which supervises and enforces the efficiency of operations, and the latter into an organ which determines the central parameters and other economic-financial instruments.

It would mean a shift of the emphasis from regulation-generating activities to analytical operations if the contents of the export plan are enriched by indicators of its efficiency in the contents of the operation of sector ministries. Regulations must assume the form of aggregates including essentially entire economic units. Their implementation must become an indispensable prerequisite for a positive assessment of the performance of the economic unit, however, their overfulfillment does not need to be rewarded, because with a correctly balanced plan, overfulfillment of planned tasks of production causes an imbalance.

On the other hand, if the center of gravity in the work of sector ministries shifts to the costs of the fulfillment of export, the constituent factors of such costs, as well as the potential and conditions for their reduction, the result is that the operation of those bodies is changed to coordination and supervision in the area of efficiency of operations of their subordinate economic units. Evidently such a course of changes which is desirable and progressive in every respect assures sector ministries a permanent position in a more sophisticated system of economic management.

Sector ministries must be rated in an analogical way as economic units, in other words, the fulfillment of their planned tasks must become a prerequisite that is indispensable, but not sufficient, for a good rating of their work. The costs of the fulfillment of export and production, as well as the effect of the department on the balance of payments, must be dominant among the criteria for the evaluation of its operations.

It is self-evident that the improvement of efficiency of operations must be profitable; however, these problems no longer pertain solely to planned spheres but also to economic management and would need a separate discussion in depth.

The outlined change in the character of evaluation of the work performed by the ministries must go hand in hand with fundamental changes in their internal organization, characterized by the introduction of sector associations of experts analyzing and assessing the efficiency of performance of whole economic units subordinated to the minister (and not separate spheres in such units).

FOOTNOTES

1. Compare B. Wojciechowski, *Handel zagraniczny a dochod narodowy Polski* [Foreign Trade and National Revenue of Poland], Warsaw 1977.
2. The necessity of such a program was pointed out, among others, by Z. Rurarz, "Strong Export Structure," *GOSPODARKA PLANOWA*, No 5, 1978, and Stanislaw Dlugosz, "Elaboration of a Concept of National Specialization in Planned Economy," *HANDEL ZAGRANICZNY* No 3, 1978.

3. Compare J. Pajestka, "Criterion of Efficiency and Standards of Efficiency,"
GOSPODARKA PLANOWA No 6, 1978.
4. U. Plowiec, "Parametric Prices in Foreign Trade," PROBLEMY HANDLU
ZAGRANICZENGO serial No 9.

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CSO: 2600

CEMA POWER INDUSTRY COOPERATION OUTLINED

Warsaw RADA NARODOWA GOSPODARKA ADMINISTRACJA in Polish No 22, 3 Nov 79 p 11

[Article by Roman Luczkiewica]

[Text] Among the integrated elements serving to accelerate the development of socialist countries, one of the more important is the joint planning and extension of a raw material base, including a base of energy stocks and electrical power systems.

After a period of reconstruction of certain power stations and electric power grids destroyed during the war, an effort which the Soviet Union actively assisted in, especially in Polish territory, and one which made use of equipment supplies from other socialist countries, there followed a stage of coordinated expansion of electrical power systems in all CEMA countries. Closer cooperation in the way of this expansion dates from 1956 when the "Commission for Matters of Electrical Power Conversion and Exploitation of Water Resources of the Danube" was convoked within the framework of CEMA. It was transformed in 1958 to the Permanent Commission on Energy (P.C.E.) whose main task was to coordinate collaborative efforts aimed at meeting demands for electrical power from nearby areas of particular countries, and subsequently, to combine domestic power systems.

Initially, in 1960, the connection of high tension lines between isolated regions of Poland and the GDR followed, as well as between Poland and the CSR. In 1961, the Polish People's Republic (PPR), CSR and GDR systems were connected. To these were added the Lvov system of the USSR as well as the systems of Hungary, Bulgaria and Rumania. Above all, these links were intended to lend mutual aid in the event of an accident or a temporary disturbance in the operation of power plants. In 1962, the Central Directorate for Power Distribution Control, whose seat is in Prague, CSR, established principles, reached settlements and carried out functional analyses for the operative coordination of the combined international system.

The power of this combined system grew from 18,000 MW in 1962 to 250,000 MW in 1979. Currently, parallel electrical power systems from all European socialist countries operate within it, including the European system of the

USSR. During the same period the possibilities of their mutual aid expanded significantly. Nearly twenty years of cooperation by the Combined Electrical Power Systems, "Peace," has confirmed the merits of such an arrangement.

Cooperation within the Combined Electrical Power Systems takes on special meaning in a period of shortages of electrical power which are appearing in certain countries. Because, thanks to existing inter-system links, it is possible to accommodate a deficit at particular times of the day and year in a coordinated fashion, taking advantage of a natural difference in time, and thus, a displacement of daybreak and nightfall, especially in wintertime. At times of earlier twilight, particular countries draw certain quantities of energy which is restored to the system at other times during the same day. It is an established principle that "loans" of this sort are regulated in closely defined, very short terms.

Further expansion of combined domestic electrical power systems will allow introduction into power stations of blocks of greater and greater power and transmission lines of greater and greater tension. It will also allow an increase in the safety of feeds. This is tied in with the introduction of new technical solutions, wide use of digital engineering, and perfection of planning, building and exploitation methods. Many topics in this area are handled within the framework of the P.C.E. of CEMA which have been elaborated jointly by interested countries. There is a wide exchange of documentation, mutual consultation, supplies of research apparatus and so on.

These have contributed to a better solution to such problems as: the perfection of thermal and hydroelectric power operation; a broad introduction of a centralized heating-plant system; an optimalization of combined systems operation; automatization of the operation of electrical power systems; the introduction of new safety arrangements; an optimalization of construction solution in the building of production facilities and plants, and consequently, an improvement in the economic results of the construction and exploitation of electrical power systems.

Close cooperation also exists between socialist countries in the rebuilding of power plants and grids.

In Poland, for example, through cooperation with the USSR, the following power plants were built: Jaworzno II, Zeran Electrical Heating-plant System, Skawina, Turow, Patnow, Dolna Odra, Polaniec, Kozienico III, pumped-storage power plant, Dychow, Wloclawek River Hydropower Plant. Through collaboration with CSR, these plants were built in Poland: Czechnica, Halemba, Konin, Niechowice, Stalowa Wola, Plock Industrial Electric Power and Heat Generating Plant (I.E.P.H.G.P.), Wloclawek I.E.P.H.G.P., Zydowo Pumped-storage Power Plant, Solina, Porabka and Zarnowiec. Broad cooperation in this area also exists with GDR and the Hungarian People's Republic (HPR).

Poland has participated in the construction of power plants in socialist countries, and continues to do so. To those constructions built with our participation belong: Maritsa III and Bobovdol in Bulgaria; Kosovo, Morava, Plonim, Trbovlje, Tuzja, Oslamaj and Nikola Tesla in Yugoslavia; Prunmerov II in CSR.

As a result of jointly conducted analyses concerning the prospects of energy development in socialist countries, it appeared possible to continue to meet the rising demand for electrical power by depending on nuclear energy. A program for constructing nuclear power plants can only be realized through broad cooperation among interested countries. That is why in 1973, within the framework of CEMA, an agreement was signed bringing into being the International Economic Union "Interatomenergo." Its goal was to organize co-production, and provide equipment and technical cooperation in the planning, construction, setting into operation and use of nuclear power plants. Concerning the share of problems for particular countries, it is expected that the Polish side will produce a series of equipment which will go into the make-up of nuclear power plants.

One of the more important problems being solved through energetic cooperation among CEMA countries is that of protecting the environment from a dangerous reaction by power equipment. Methods are being formulated for the reduction of quantities of sulphur in exhaust gases, and for land reclamation of ash deposits and exploited areas which came about through brown coal strip-mining. Principles are being worked out for preserving rivers and reservoirs.

The important element of this widely understood cooperation in the area of electrical power is likewise the exchange of current experiences, including those under unusual conditions too, as for example, during the recent, bitter winter. Groups of specialists from PPR, USSR, CSR and GDR had the opportunity to share experiences and acquaint themselves with solutions which make it possible to reduce the harmful effects of intense cold on the operation of equipment.

It must be stressed that more and more energy problems are being solved on the basis of shared work among particular countries, including a significant share on the part of Polish specialists as well. The building of great constructions, such as the USSR-Hungarian line with a tension of 750 kV, is also undertaken by joint forces, as are the Khmel'nitskiy Atomic Power Plant in the USSR, with a 4000 MW capacity, and in the near future, the 750 kV USSR-PPR line. These all affect the common system and contribute to an acceleration of the economic development of socialist countries taking part in this collaborative effort.

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BRIEFS

COMMON MARKET RE-EXAMINATION--The Soviet invasion of Afghanistan appears to have caused the European Common Market governments to re-examine their reservations regarding opening up the market to Yugoslav exports. In any case, the Brussels experts expect that the foreign ministers will try in their meeting tomorrow to activate the negotiations on an economic agreement with Belgrade. The negotiations are based on a 1976 "common declaration" in which the Common Market was to help improve the trade structure and to promote especially certain Yugoslav economic sectors, in view of Yugoslavia's large import surplus. Since then [European] offers made have hardly met the desires of Yugoslavia which believes they are far behind the concessions which the Common Market has made to other Mediterranean countries. [Excerpt] [Bonn DIE WELT in German 14 Jan 80 p 10]

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